

**Part 10 Processing Approvals and Issuing the Guarantee****244 Loan Approval (7 CFR 762.122)**

---

**A****Loan Limits**

The maximum FO or OL levels outlined below include the guaranteed loan being made plus any outstanding direct or guaranteed principal balances, as indicated, owed by anyone who will sign the promissory note.

**The total outstanding combined guaranteed FO and OL principal balance \*--cannot exceed \$717,000.**

**The total outstanding direct and guaranteed FO principal balance cannot exceed \$717,000.**

**The total outstanding direct and guaranteed OL principal balance cannot exceed \$717,000.**

**The total combined outstanding direct and guaranteed FO and OL balance cannot exceed \$917,000.--\***

---

**B****Lender****Notification of  
FSA Decision**

The lender will be informed of the approval decision in writing.

- C If the application is approved and funds are available, FSA will prepare FSA-1980-15, Conditional Commitment, to the lender and proceed to paragraph 246.
  - C If the application is approved and funds are not available, FSA will prepare a letter to the lender with a copy to the loan applicant, informing them the loan is approved, subject to the allocation of funding. This letter will inform the lender that the loan should not be closed until they receive FSA-1980-15, Conditional Commitment.
  - C If the application is rejected, FSA will prepare a letter to the lender with a copy to the applicant informing them the loan is rejected, the reasons for rejection, and their right to appeal the decision.
-

**245 Agency Obligation of the Loan (7 CFR 762.130)**

---

**A****Loan Obligation**

**Loans are approved subject to the availability of funding. When it appears that there are not adequate funds to meet the needs of all approved loan applicants, applications that have been approved will be placed on a preference list according to the date of receipt of a complete application.**

FSA will not issue FSA-1980-15, Conditional Commitment, until verification is received that funds have been obligated for the loan.

If a PLP lender receives an automatic approval of a loan because of FSA's failure to meet the 14-calendar-day response deadline, the lender may not close the loan until it receives the Conditional Commitment. This will be the notification that funds have been obligated.

---

Continued on the next page

**245 Agency Obligation of the Loan (7 CFR 762.130) (Continued)**

---

**B**

**Funding Priorities** If approved applications have been received on the same day, the following will be given priority:

- C an application from a veteran**
- C an application from an Agency direct loan borrower**
- C an application from a loan applicant who** is described by 1 of the following:
  - C has a dependent family**
  - C is an owner of livestock and farm implements necessary to successfully carry out farming operations**
  - C is able to make down payments**
- C any other approved application.**

When funds become available, applications will be funded in priority list order. If a substantial amount of time has elapsed between loan approval and obligation, FSA may request updated information on the loan applicant.

---

**A****Accepting or  
Rejecting  
Conditions**

**The lender must meet all of the conditions specified in the Conditional Commitment to secure final Agency approval of the guarantee. The lender, after reviewing the conditions listed on the Conditional Commitment, will complete, execute, and return the form to the Agency. If the conditions are not acceptable to the lender, the Agency may agree to alternatives or inform the lender and the loan applicant of their appeal rights.**

When the lender receives the Conditional Commitment, it should carefully review all the conditions. If the lender accepts all the conditions, it should complete, sign, and return the Conditional Commitment to FSA.

If the lender rejects the conditions, the lender may propose new conditions, along with justification for the conditions. The lender will be notified if FSA can accept the lender proposed conditions or contacted to see if acceptable conditions can be mutually developed. If an agreement is reached, FSA will incorporate the conditions into a Conditional Commitment. If, after all reasonable efforts have been made, an agreement cannot be reached, FSA will issue a rejection letter and inform the lender of their appeal rights.

If a PLP lender receives an 80 percent guarantee as a result of FSA not acting within 14 calendar days, the lender may either accept the 80 percent guarantee without conditions or request a greater guarantee. When a greater guarantee is requested, FSA may, if warranted, include additional conditions in a revised Conditional Commitment. The lender may either accept these conditions, reject the conditions and reach agreement on proposed alternative conditions, or reject the conditions and retain the 80 percent guarantee.

---

Continued on the next page

**246 Lender's Response to Conditional Commitment (7 CFR 762.130(c)) (Continued)**

---

**B****Executing and  
Extending  
FSA-1980-15**

Once the lender executes the Conditional Commitment, it must be returned to FSA for final processing. Once both parties execute the document, the lender may proceed to close the loan within the timeframe allotted in the Conditional Commitment. If an extension is needed, FSA may grant an extension in writing to the lender. Before issuing an extension, FSA will consider whether enough time has passed that would justify updated financial information or an updated application.

---

**247 Actions Before Issuing Loan Guarantee (7 CFR 762.130)**

---

**A****Lender's Actions**

After loan closing, the lender must submit the following to FSA before it will issue FSA-1980-27, Loan Guarantee:

Ⓒ FSA-1980-22, Lender Certification

Ⓒ RD-1980-19, Guaranteed Loan Closing Report

Ⓒ an acceptable appraisal from SEL's, if the guarantee was approved, subject to an appraisal

**Note:** SEL's are encouraged to submit this appraisal to FSA before loan closing to ensure compliance with FSA requirements.

Ⓒ guarantee fee

**Notes:** A guarantee fee will be charged on all loans unless otherwise stated in this paragraph. **Guarantee fees are 1 percent and are calculated as follows:**

$$\text{Fee} = \text{Loan Amount} \times \% \text{ Guaranteed} \times .01.$$

**The nonrefundable fee is paid to the Agency by the lender. The fee may be passed on to the borrower and included in loan funds.**

**The following guaranteed loan transactions are not charged a fee:**

Ⓒ loans involving interest assistance

Ⓒ loans where a majority of the funds are used to refinance an Agency direct loan

---

Continued on the next page

**A****Lender's Actions  
(Continued)****C    loans to \* \* \* farmers or ranchers involved in the direct  
beginning farmer downpayment program**

**Note:** The beginning farmer downpayment loan program refers only to a direct FO made under FmHA Instruction 1943-A. Simply being defined as a beginning farmer will not qualify for a waiver of the fee.

C\*--loans made under a State beginning farmer program where a memorandum of understanding between the State and USDA has been signed.--\*

C    a copy of the executed promissory note or loan agreement

**Note:** The lender will use its own promissory notes, line of credit agreements, real estate mortgages (including deeds of trust and similar instruments), and security agreements (including chattel mortgages in Louisiana and Puerto Rico), provided:

**C    the forms meet Agency requirements**

**C    documents comply with State law and regulation**

**C    the principal and interest repayment schedules are stated clearly in the notes and are consistent with the conditional commitment**

**C    the note is executed by the individual liable for the loan**

**Note:** For entities, the note is executed by the member who is authorized to sign for the entity, and by all members of the entity as individuals. Individual liability can be waived by the Agency for members holding less than 10 percent ownership in the entity if the collectability of the loan will not be impaired.

**C    when the loan purpose is to refinance or restructure the lender's own debt, the lender may continue to use the existing debt instrument and attach an allonge that modifies the terms of the original note.**

C    a current FSA-1980-38, Lender's Agreement, must be on file with FSA. If a current agreement is not on file, one must be executed before a guarantee is issued.

**247    Actions Before Issuing Loan Guarantee (7 CFR 762.130) (Continued)**

---

**A****Lender's Actions  
(Continued)**

In addition, the lender should take the following actions.

- C**   Inform FSA of the lender's plans to market the loan to the secondary market. These plans must be consistent with Part 15. LOC's may be funded in participation with other lenders, but may not be sold into the secondary market.
  
  - C**   **The lender must notify the Agency of any scheduled inspections during construction and after the guarantee has been issued. The Agency may attend these field inspections. Any inspections or review performed by the Agency, including those with the lender, are for the benefit of the Agency only. Agency inspections do not relieve any other parties of their inspection responsibilities, nor can these parties rely on Agency inspections in any manner.**
- 

**248    Issuing Loan Guarantee**

---

**A****Action**

Once the requirements of paragraph 247 have been met, FSA will prepare and issue FSA-1980-27, Loan Guarantee. The original Loan Guarantee will be provided to the lender to be attached to the original note.

---

**249    (Reserved)**

**250 Replacing or Terminating Loan Guarantee (7 CFR 762.101 and 762.130)**

---

**A****Replacing Loan Guarantee**

If the guarantee or assignment guarantee agreements are lost, stolen, destroyed, mutilated, or defaced, except where the evidence of debt was or is a bearer instrument, the Agency will issue a replacement to the lender or holder upon receipt of acceptable documentation, including a certificate of loss or an indemnity bond. It is the responsibility of the lender to coordinate the replacement activities with the holder and submit the required documents to the State Office for processing.

---

**B****Terminating FSA-1980-27**

The Loan Guarantee will automatically terminate as follows:

**C** upon full payment of the guaranteed loan

**Note:** A zero balance within the period authorized for advances on a line of credit will not terminate the guarantee.

**C** upon payment of a final loss claim

**C** upon written notice from the lender to the Agency that a guarantee is no longer desired provided the lender holds all of the guaranteed portion of the loan. The Loan Guarantee will be returned to the Agency office for cancellation within 30 days of the date of the notice by the lender.

---

**251-261 (Reserved)**